



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

February 22, 1999

H.R. 514

Wireless Privacy Enhancement Act of 1999

As ordered reported by the House Committee on Commerce on February 11, 1999.

CBO estimates that enacting H.R. 514 would have no significant effect on the federal budget. Because the bill would establish new criminal penalties and thus could increase receipts, pay-as-you-go procedures would apply. H.R. 514 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments. The bill would impose a new private-sector mandate, but CBO estimates the direct cost to industry of complying with the bill would fall well below the statutory threshold for private-sector mandates.

H.R. 514 would amend the Communications Act of 1934 to prohibit modifying any equipment used to communicate electronically in any manner that would not comply with regulations affecting electronic eavesdropping. The bill would direct the Federal Communications Commission (FCC) to prepare regulations to deny the authorization to use FCC equipment for certain scanning receivers that may be capable of unauthorized interception of communication transmissions. Based on information from the FCC, CBO estimates that these regulations would cost less than \$500,000 to promulgate, assuming appropriation of the necessary amounts. Furthermore, under current law the FCC is authorized to collect fees from the telecommunications industry sufficient to offset the cost of its regulatory program. Therefore, CBO estimates that the net budgetary effect of this provision would be negligible.

The bill also would amend the Communications Act of 1934 to impose criminal penalties for intercepting, publishing, or divulging a communication that is not authorized. CBO estimates that this provision would have a negligible effect on revenues. The bill would direct the FCC to investigate alleged violations of this portion of the act and to enforce this provision through forfeiture penalties. Under current law, any enforcement costs that the agency incurs are offset by fees charged to the industries that the FCC regulates. As a result, we estimate that this provision would not result in any significant net cost to the federal government.

H.R. 514 would impose a new private-sector mandate on manufacturers, importers, sellers, and those who modify scanning receivers. The bill would expand the FCC's criteria for certifying equipment before it can be imported or marketed. Based on information provided by the leading manufacturer of scanning receivers and the FCC, CBO estimates that the direct cost of complying with H.R. 514 would fall well below the statutory threshold for private-sector mandates (\$100 million in 1996, adjusted annually for inflation).

The CBO staff contacts for this estimate are Kim Cawley for federal costs, Hester Grippando for revenues, and Jean Wooster for the private-sector impact. This estimate was approved by Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.